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Strategic Foundations of General Equilibrium

Dynamic Matching and Bargaining Games

The theory of competition has held a central place in economic analysis since Adam Smith. This book, written by one of the most distinguished of contemporary economic theorists, reports on a major research program to provide strategic foundations for the theory of perfect competition.

Beginning with a concise survey of how the theory of competition has evolved, Gale makes extensive and rigorous use of dynamic matching and bargaining models to provide a more complete description of how a competitive equilibrium is achieved. Whereas economists have made use of a macroscopic description of markets in which certain behavioral characteristics, such as price-taking behavior, are taken for granted, Gale uses game theory to re-evaluate this assumption, beginning with individual agents and modeling their strategic interaction. A strategic foundation for competitive equilibrium shows how such interaction leads to competitive, price-taking behavior.

DOUGLAS GALE is Professor of Economics in New York University. A Fellow of the Econometric Society, he has served as assistant editor of *Review of Economic Studies* and co-editor of *Econometrica*. He is currently associate editor of *Journal of Economic Theory*, *Research in Economics* and *Economic Theory* and advisory editor of *Macroeconomic Dynamics*. His research papers have been published in leading journals.

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To my teacher
FRANK H. HAHN

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